

**DIRECT TESTIMONY OF  
D. RUSSELL HARRIS  
ON BEHALF OF  
SOUTH CAROLINA ELECTRIC & GAS COMPANY  
DOCKET NO. 2013-5-G**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.**

A. My name is D. Russell Harris, and my current business address is 220 Operation Way, Cayce, South Carolina. I am Senior Vice President of Gas Distribution for SCANA Corporation (“SCANA”), and in this role, I serve as President of Gas Operations for South Carolina Electric & Gas Company (“SCE&G” or “Company”).

**Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND BUSINESS BACKGROUND.**

A. I am a 1986 graduate of Clemson University with a Bachelor of Science in Electrical Engineering. In 1990, I received a Master of Business Administration from the University of South Carolina. From 1986 to 1992, I worked for SCE&G as a Customer Service Engineer, and in 1992, I became District Manager – Electric Operations. From 1997 to 2003, I served as Vice President – Wires Operation for SCE&G. In 2003, I became Vice President – Operations for Public Service Company of North Carolina, Inc. (“PSNC Energy”), and in January 2006, I was promoted to President and Chief Operating Officer for PSNC Energy – a position that I continue to hold today. In May 2013, I assumed my current responsibilities as

1 President of Gas Operations for SCE&G.

2  
3 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC SERVICE**  
4 **COMMISSION OF SOUTH CAROLINA (“COMMISSION”)?**

5 A. Yes, but it has been over 15 years since I last testified before the  
6 Commission. More recently, however, I have provided testimony to the North  
7 Carolina Utilities Commission on behalf of PSNC Energy.

8  
9 **Q. WHAT ARE YOUR DUTIES AS PRESIDENT OF GAS OPERATIONS?**

10 A. As President of Gas Operations for SCE&G, my corporate responsibilities  
11 include, among other things, oversight of the daily operations of SCE&G’s natural  
12 gas distribution system, including maintenance, construction, and gas sales.  
13 Additionally, I am responsible for the overall reliability of the system, which  
14 includes ensuring that the system is capable of providing safe and reliable service to  
15 the Company’s customers. I also oversee SCANA’s new Gas Services Organization  
16 which provides critical and necessary support functions to SCE&G’s natural gas  
17 operations.

18  
19 **Q. PLEASE DESCRIBE THE PURPOSE OF YOUR TESTIMONY.**

20 A. The purpose of my testimony is to introduce and discuss with the  
21 Commission SCANA’s new Gas Services Organization. In doing so, I will discuss  
22 the rationale for creating the Gas Services Organization and explain the functions it

1 provides to SCE&G. But before I discuss the Gas Services Organization, I will  
2 begin my testimony by providing the Commission with a brief overview of  
3 SCE&G's gas purchasing practices for the period under review, August 1, 2012,  
4 through July 31, 2013 ("Review Period").

5  
6 **I. PURCHASED GAS ADJUSTMENT PROCEEDING**

7 **Q. WHAT IS THE PURPOSE OF THIS PURCHASED GAS ADJUSTMENT**  
8 **("PGA") PROCEEDING?**

9 A. By Order No. 87-898, dated August 14, 1987, the Commission instituted an  
10 annual PGA review of SCE&G's gas purchasing policies and practices. These  
11 PGA reviews are conducted to determine the prudence of SCE&G's gas  
12 purchasing policies and practices during the period under review and to determine  
13 if SCE&G properly applied its tariffs in recovering its gas costs.

14 It is worth noting that in every PGA review, the Commission has found that  
15 SCE&G's gas purchasing policies and practices were prudent and that the  
16 Company properly adhered to the gas cost recovery provisions of its gas tariffs  
17 and applicable Commission directives and orders.

18 In this PGA proceeding, the Commission will hear from personnel who  
19 implement SCE&G's gas purchasing practices and policies and who address tariff  
20 issues on a day-to-day basis. M. Shaun Randall, General Manager of Gas Services  
21 describes SCE&G's natural gas distribution system from an operating standpoint

1 and discusses the primary facilities that comprise the system, including the  
2 capacity of the system for serving SCE&G's customers. J. Darrin Kahl, Manager  
3 of Supply & Asset Management, explains SCE&G's gas purchasing practices, gas  
4 supply, and interstate pipeline capacity. Mr. Kahl also discusses the Company's  
5 efforts in winding down its financial hedging program. Rachel M. Robinson, Lead  
6 Analyst for Rates and Regulatory Accounting, discusses the PGA methodology for  
7 recovering the cost of gas implemented by the Company pursuant to Commission  
8 Order Nos. 2006-679 and 2009-910.

9  
10 **Q. PLEASE PROVIDE A BRIEF OVERVIEW OF SCE&G'S GAS**  
11 **PURCHASING PRACTICES FOR THE REVIEW PERIOD.**

12 A. SCE&G's management analyzes and considers the supply and interstate  
13 capacity assets of its business on an on-going basis in order to provide safe,  
14 reliable, and economical natural gas service in South Carolina. All of the  
15 variables related to the growth in our state and the demand of SCE&G's system  
16 must be balanced with corresponding supply and capacity needs. Finally, I want  
17 to emphasize to the Commission that the Company procured reliable and  
18 reasonably priced natural gas supplies during the Review Period.

## II. GAS SERVICES ORGANIZATION

**Q. PLEASE PROVIDE THE COMMISSION WITH BACKGROUND INFORMATION REGARDING THE GAS SERVICES ORGANIZATION.**

A. In 2012, the Chairman and Chief Executive Officer of SCANA and SCE&G, Kevin B. Marsh, began exploring possibilities of creating consistencies, mitigating risk, and increasing the effectiveness of SCANA's line of natural gas businesses, including SCE&G. To this end, Mr. Marsh assembled a team of individuals with a diverse range of experience in the energy business (collectively, the "Gas Evaluation Team") and challenged them to identify ways in which SCANA's natural gas businesses could improve the efficiency of their operations while enhancing their ability to provide safe and reliable natural gas service. Over the course of a year, the Gas Evaluation Team reviewed SCANA's natural gas business units, including SCE&G.

During its review, the Gas Evaluation Team identified, among other things, similarities between SCE&G and PSNC Energy, especially with respect to the support services functions (*i.e.*, Gas Engineering Services, Gas Measurement Services, Gas Control and Dispatch Services, and Safety, Training and Employee Development) that each company employed to provide safe and reliable natural gas service; however, the Gas Evaluation Team noted that both SCE&G and PSNC Energy each had its own separate methods and practices for performing these functions. The Gas Evaluation Team concluded that because these functions

1 consisted of support services, it was more efficient to perform these functions  
2 collectively. The Gas Evaluation Team determined that these support services  
3 functions could be performed by a single entity and reasoned that the formation of  
4 a Gas Services Organization would enable SCE&G and PSNC Energy to realize  
5 the benefits associated with consolidating and performing functions that lend  
6 themselves to common administration, and that the standardization of best  
7 practices would facilitate enhancements in safety, efficiency, and customer  
8 service. Accordingly, the Gas Evaluation Team recommended to SCANA's senior  
9 management that the functions of (i) Gas Engineering Services, (ii) Gas  
10 Measurement Services, (iii) Gas Control and Dispatch Services, and (iv) Safety,  
11 Training and Employee Development be transferred from SCE&G and PSNC  
12 Energy to the Gas Services Organization. Thereafter, SCANA's senior  
13 management accepted the Gas Evaluation Team's proposal. Mr. Marsh then tasked  
14 me with creating and implementing the Gas Services Organization as we know it  
15 today.

16  
17 **Q. PLEASE EXPLAIN THE FUNCTIONS THAT GAS ENGINEERING**  
18 **SERVICES PROVIDES TO SCE&G.**

19 A. Gas Engineering Services provides technical services and is responsible for  
20 the development and administration of design, operating and maintenance  
21 procedures, material standards, and engineering information technology systems  
22 such as the development of integrated technology plans, gas projects databases,

1 and scheduled maintenance programs. Gas Engineering Services is also  
2 responsible for the development and administration of transmission integrity  
3 management and distribution integrity management programs; the design and  
4 construction of transmission pipelines; the design and analysis of corrosion control  
5 and cathodic protection systems; and the management of liquefied natural gas  
6 storage facilities and their operations.

7  
8 **Q. PLEASE EXPLAIN THE FUNCTIONS THAT GAS MEASUREMENT**  
9 **SERVICES PROVIDES TO SCE&G.**

10 A. Gas Measurement Services provides meter and fabrication support and  
11 seeks to standardize meter shop operations and optimize efficiencies. This group  
12 is responsible for providing comprehensive metering services, including  
13 conducting periodic and sample gas meter tests required by Commission  
14 regulations, repairing gas meters and regulators, maintaining meter inventories,  
15 and retaining meter test records. Gas Measurement Services is also responsible  
16 for the design and fabrication of new regulating stations and large metering  
17 stations.

18  
19 **Q. PLEASE EXPLAIN THE FUNCTIONS THAT GAS CONTROL AND**  
20 **DISPATCH SERVICES PROVIDES TO SCE&G.**

21 A. Gas Control is responsible for controlling and monitoring natural gas  
22 transmission and distribution systems using the Supervisory Control and Data

1 Acquisition system (commonly referred to as SCADA), determining daily gas  
2 requirements for nominations made through the Natural Gas & Uranium  
3 Procurement group, and ensuring system balancing. Additionally, Gas Control  
4 seeks to optimize system control and ensure compliance with gas control  
5 regulations.

6 Dispatch Services, on the other hand, is responsible for receiving,  
7 assigning, and dispatching work orders to service technicians in the appropriate  
8 areas by use of Company radio or computer-aided dispatch systems. Dispatch  
9 Services also seeks to optimize the daily operations that occur in the field. For  
10 example, Dispatch Services distributes work orders in such a manner so that  
11 customer appointments and applicable customer service standards are satisfied,  
12 while effectively facilitating productivity of the service technicians.

13  
14 **Q. PLEASE EXPLAIN THE FUNCTIONS THAT SAFETY, TRAINING AND**  
15 **EMPLOYEE DEVELOPMENT PROVIDES TO SCE&G.**

16 A. Safety, Training and Employee Development is responsible for  
17 administering the operator qualification program required under federal  
18 regulations, including providing training on covered tasks, conducting employee  
19 evaluations, and retaining training records to document compliance. Safety,  
20 Training and Employee Development also provides required Occupational Safety  
21 and Health Administration training, including first aid training,  
22 excavation/competent person training, asbestos worker training, and crane



1 operator training, as well as other employee development training such as  
2 leadership training, customer service training, and commercial driver's license  
3 training. This group seeks to standardize operator qualifications training, leverage  
4 existing training resources, and maintain a consistent safety culture throughout  
5 SCE&G.

6  
7 **Q. WHEN DID THE GAS SERVICES ORGANIZATION BECOME**  
8 **OPERATIONAL?**

9 A. The Gas Services Organization launched in April 2013, and the functions it  
10 provides became fully integrated in August 2013.

11  
12 **Q. HOW DOES THE GAS SERVICES ORGANIZATION BENEFIT SCE&G**  
13 **AND ITS CUSTOMERS?**

14 The Gas Services Organization is functioning as intended and is beneficial  
15 to SCE&G and its customers. More specifically, the Gas Services Organization  
16 promotes the efficient use of support services by (i) eliminating duplicative  
17 services through consolidation; (ii) standardizing best practices in the fields of  
18 safety, customer service and regulatory compliance; and (iii) mitigating risk for  
19 SCE&G and its customers.

1 **Q. WHAT ARE YOU REQUESTING OF THE COMMISSION IN THIS**  
2 **PROCEEDING?**

3 A. The primary commitments of SCE&G continue to be to operate our system  
4 in a safe, reliable, and efficient manner. Further, our employees are committed to  
5 providing outstanding customer service and operational excellence. During the  
6 Review Period, the Company prudently managed its business operations, which  
7 included the purchase and recovery of its gas supplies and administration of the  
8 PGA. Therefore, on behalf of SCE&G, I respectfully request the Commission find  
9 that the Company has recovered its gas costs for the Review Period consistent  
10 with its tariffs and Commission orders and that it has purchased its gas supplies  
11 and administered the PGA in a prudent and reasonable manner.

12  
13 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

14 A. Yes.